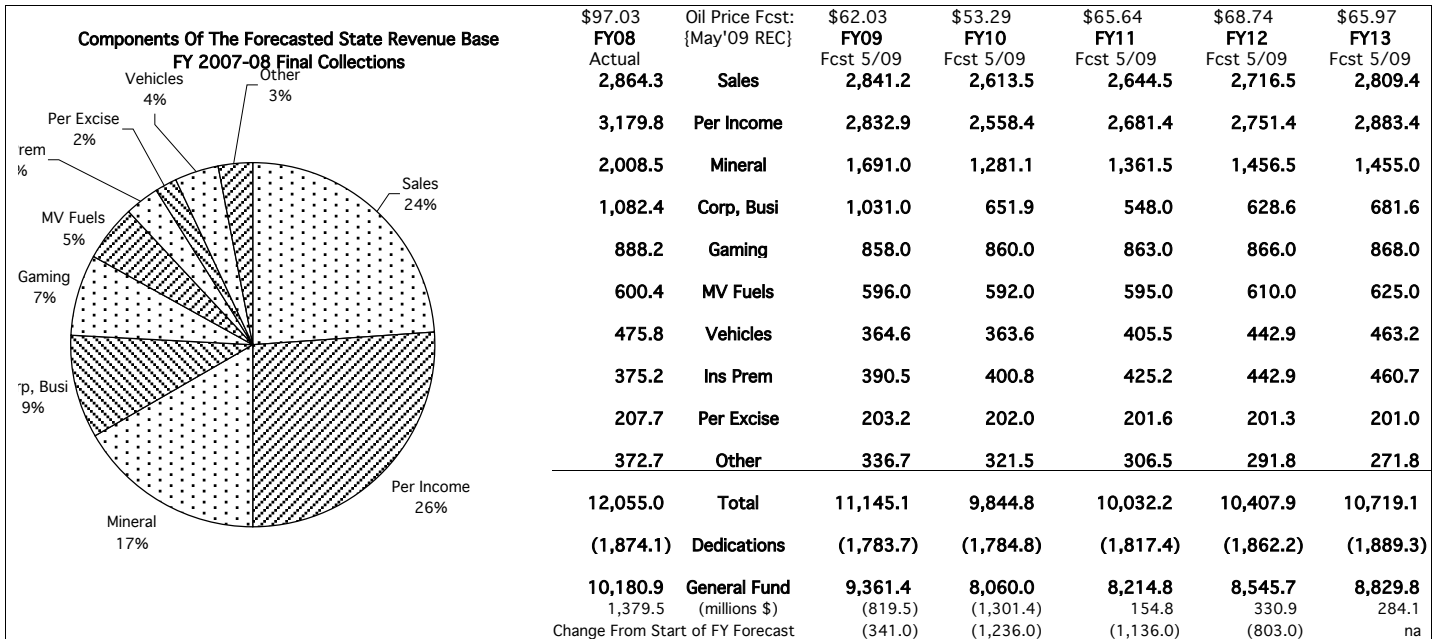


**STATE REVENUE SUMMARY**  
as of 5/21/09 REC and FY08 Close  
May, 2009



**Pre-Storms: Path Looked Good**

FY04 experienced 5.2% / \$411 million of revenue growth (\$368.5m general fund).  
FY05 experienced 10.9% / \$905 million of revenue growth, with good trends across the board: mineral revenue +\$243m, corporate taxes +\$211m, personal income tax +\$209m, sales tax +\$173m; (\$626.0m general fund)

**Post-Storms: Certain Revenues Surged**

Post-Storms: Certain Revenues Surged			Shares of		
	<u>FY06 State Tax Revenue Growth</u>	<u>808.4</u>	<u>\$ Growth</u>	<u>Growth Rate</u>	<u>8.8%</u> (\$909m general fund growth)
Sales Tax Step-Up	Sales Tax	485.6	60%	19%	spending for storm relief, recovery, relocation, and replacement
	Corporate	139.5	17%	22%	strong oil prices and weak dollar benefit broad O&G sector and exporters
	Personal Income	111.3	14%	5%	deferred payment losses more than offset by strong withholdings
	Gaming	81.5	10%	11%	nothing else to do with all that money; citizens and worker influx
	Mineral	(14.9)	2%	-1%	price spikes up but production spikes down; essentially a wash
	Interest & Premiums	26.8	3%	11%	growing fund balance; premiums increase while tax credits drop
	<u>FY07 State Tax Revenue Growth</u>	<u>1,660.1</u>	<u>Shares</u>	<u>Growth Rate</u>	<u>16.6%</u> (\$1,379.5m general fund growth)
Income Tax Step-Up	Sales Tax	92.5	6%	3%	boom over, but growth continues
	Corporate	283.8	17%	37%	stronger oil prices and weaker dollar: O&G sector and exporters
	Personal Income	745.1	45%	30%	deferral catch-up, lots of jobs (recovery/rebuilding), wage premiums
	Gaming	35.9	2%	4%	boom over, but still ahead of pre-storm levels
	Mineral	277.3	17%	23%	production restored and oil prices continue to rise {\$30+ price increase}
	Interest & Premiums	143.9	9%	54%	big fund balance; big premium increases and more tax credit drops
	<u>FY08 State Tax Revenue Growth</u>	<u>367.1</u>	<u>Shares</u>	<u>Growth Rate</u>	<u>3.1%</u> (\$500.2m general fund growth)
Mineral Revenue Step-Up	Sales Tax	9.1	2%	0.3%	spending slows to near standstill
	Corporate	(112.7)	31%	-11%	weakening economy and borrowed capital phase-out end 4-year growth run
	Personal Income	(88.4)	24%	-3%	base growth too slow to offset phase-one of excess itemize give-back
	Gaming	15.7	4%	2%	growth slows even more, but still ahead of pre-storm levels
	Mineral	425.1	116%	28%	oil & gas prices climb sharply all year, before peaking in July'08
	Interest & Premiums	100.3	27%	24%	fund balances, premium increases, and tax credit drops continue

**FY09 - FY13**

Growth in FY08, all year and at finish, was almost entirely from mineral revenue. No big step-ups in sales, income, or corporate occurred as in prior two years. Thus, no strong base performance to carry over into FY09, and corporate income actually fell more than expected. Oil & gas prices peaked in July'08 and have fallen dramatically since. Forecasts anticipated some of this, but energy prices fell significantly more than expected, and may average near \$40/bbl in the second half of FY09. Haynesville Shale bonus receipts in FY09 offset by production shut-ins from Gustav/Ike. Weak natural gas prices result in downward revision in that revenue component, with effects spread over FY09 and FY10. FY09 so far has exhibited weak sales, income, and corporate performance. Vehicle sales tax have collapsed. Sales tax bump from Gustav/Ike not noticeable, and no income tax bump at all. Second half of FY09 weaker, with even weaker performance in FY10 likely. Turn around currently projected to begin with FY11, but length and depth of national/global recession will ultimately determine prospects for next few fiscal years.

Existing tax reduction phase-ins and new ones passed in 2007, 2008 ES2, and 2008R sessions built into the forecast baseline (full phase-in annual effects below):

Machinery & equipment phase-out/accel. (\$20m), borrowed capital phase-out/accel. (\$160m), business utilities drop to 1% (\$150m), Citizens assessment credits (\$60m). Excess itemized deduction giveback (\$300m), bracket expansion (\$360m first year then \$250m per year), earned income credit (\$40m), one-time insurance premium credit in FY09 (\$90m). Eliminate 1% business utilities sales tax (\$70m), other suspended exemptions expire (\$30m), New Mkts Tax Credit (two \$50m granted), nonpublic tuition deduction (\$20m). New dedications in 2008 (\$20m), plus NOW dedication (\$50m max) and MV sales dedication to TTF (\$300m+) when these two are activated.

**Upside potential:** Oil prices stay strong in \$70/bbl range (more likely), national/global recovery strong and rapid with LA responding the same (not likely).

**Downside risks:** LA lags national/global recovery. Oil prices keep consumers retrenched and recovery slow. More income, sales, and corporate tax declines occur.